

## **INTRODUCTION**

The Catholic Social Services of Wayne County entered into contract #TP-97-82009 with the Family Independence Agency (FIA) to provide Transitional Housing, Daily Living Skills Training, Employment and Education Assistance, Case Management, and Discharge Planning/After Care Services for the Teen Parent Program. Funds for this program are distributed through the Supportive Housing Program, Community Planning and Development, Department of Housing and Urban Development (HUD). The Supportive Housing Program (SHP) is designed to promote the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness, and to enable them to live as independently as possible. We performed an audit of the Teen Parent Program for the period October 1, 1998 through November 30, 1999.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The purpose of our audit was to determine if the Catholic Social Services of Wayne County billings to FIA were accurate, if the costs billed to FIA were necessary, reasonable, and proper, and if the case files contained the documentation required by the contract. In addition we also reviewed and evaluated the internal controls over the funds held in custodianship for the clients.

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that Catholic Social Services of Wayne County billings were accurate, and that the costs billed were necessary, reasonable and proper, except that the purchase price of the van was expensed, rather than capitalized and depreciated. Our report recommends that the Field Operations initiate the process to recoup \$13,960 that was overcharged as a result. There was adequate documentation to support all other expenses that we reviewed, and internal controls were generally adequate to provide management with

reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our findings and recommendations follow.

## **FINDINGS AND RECOMMENDATIONS**

### **Purchase of a Van**

1. Catholic Social Services of Wayne County purchased a 1997 Plymouth Voyager van in July, 1999 for use in the SHP Program. The agency expensed the cost of the van in the year of acquisition and billed the entire purchase price to the Department in August 1999. According to OMB Circular A-122 'Cost Principles for Non-Profit Organizations' the threshold for capitalization of equipment is \$5,000. Therefore the cost of the vehicle should be capitalized, and depreciated over the useful life of the asset. The amount expensed was \$17,450. The allowable depreciation for the period July through November, 1999, using IRS Guidelines for Modified Accelerated Cost Recovery System for 5 year class assets, is \$3,490. The difference of \$13,960 is an unallowable cost for the period of our audit.

WE RECOMMEND that the Field Operations Administration initiate the process to recoup \$13,960 from Catholic Social Service of Wayne County for the excess amount billed for the purchase of the van.

### **Client Funds**

2. Catholic Social Services of Wayne County did not post transactions to client ledger cards on a timely basis for the client accounts for which it was custodian. The client funds were maintained in one account. There was a balance of \$2,829.53 in the account as of November 1999. A review of the fund revealed that there was a \$345.67 difference between the bank balance and the client ledger cards. This fund was reconciled once a month, and there were controls in place to provide assurance that clients received the

correct amount of funds when they left the program. However, by not posting the ledger cards accurately and timely, errors could occur and not be discovered until the end of the month when the bank reconciliation is completed.

WE RECOMMEND that the Field Operations Administration instruct Catholic Social Services of Wayne County to post transactions accurately and timely to the ledger cards, and keep a running balance on the cards.

#### Case File Review

3. We reviewed selected case files for the audit period, and determined that the selected case files contained the documentation that is required on page 13 of the contract.